

State of Maine  
Office of Securities  
121 State House Station  
Augusta, Maine, 04333-0121

In Re:

Douglas G. Bezio

Notice of Intent  
10-062

ALLEGATIONS

1. Douglas G. Bezio ("Bezio") (CRD #1935693), is a resident of Wellfleet, Massachusetts. Bezio is currently a licensed agent and investment adviser representative of Investors Capital Corporation. At all times relevant to this investigation, Bezio was a licensed agent of LPL Financial Corporation ("LPL").
2. James and Patricia Brown (the "Browns") are residents of Old Orchard Beach, Maine. They met Bezio in 1996 at a financial planning seminar and quickly selected him and LPL to manage a small portion of their assets. By 2000, Bezio had established several Strategic Asset Management ("SAM") accounts and a personal brokerage account for the Browns.
3. In 2002, the Browns, preparing for retirement, established a joint brokerage account with Bezio, referred to as the "Bond Account." The purpose of the account, as specifically communicated by the Browns to Bezio, was to generate monthly income from the interest while keeping the principal intact. The Browns intended to rely on the income from the account for their living expenses. The Bond Account, unlike their other accounts, was set up as a traditional commission based brokerage account, rather than a fee-based investment advisory account.
4. Bezio told the Browns that the commission amount they would see included on their Bond Account statement was not a real cost to them but rather represented compliance with SEC's disclosure rules concerning the difference between retail and institutional prices on the bonds. Bezio also represented to the Browns that the account contained secure investments with preservation of capital at maturity.
5. Additionally, the investments made by Bezio for the Browns' Bond Account were not limited to bonds. Bezio also purchased mutual funds with real estate related investment objectives. He told the Browns that Real Estate Investment Trusts ("REITS") were the equivalent of investing in bonds. He did not disclose the risks of investing in REITS or the commissions Bezio and LPL would earn as a result of the mutual fund investments. Bezio had also begun to use margin from the Browns' Bond Account to purchase preferred stocks. The Browns intended the margin to be used for the limited purpose of covering "Buy" transactions or for them to borrow against to buy investment property.

6. In 2007, the Browns transferred their Bond Account as part of their estate plan to a company they controlled called Mariners Bay, LLC. Bezio sent the Browns the forms necessary to establish the new account and requested that they sign the blank forms, return them to him and he would complete them. Unbeknownst to the Browns, when completing the signed forms Bezio changed the investment objective of the Bond Account from its original "Income with Moderate Growth" objective to "Growth."
7. Between April of 2004 and August of 2008, Bezio made 46 mutual fund purchases in the Bond Account. All of the purchases were made using class A shares and all of them, with the exception of 4 funds, had real estate related investment objectives. None of these funds was held any longer than 4 years and 3 months and the majority were held less than 18 months. Bezio used several different fund families in making these purchases.
8. In response to the value of their Bond Account steadily declining, in September 2008 and October 2008 the Browns instructed Bezio to sell anything in the Bond Account that was "risky" and to stop making additional purchases. Despite these instructions, Bezio sold only two holdings from the account and the Browns' December 2008 Bond Account statement reflected the purchase of a class A mutual fund after he had been instructed by the Browns to stop purchasing.
9. From 2004 through his termination in 2009, LPL cited Bezio for failing to obtain signed copies of prospectus receipts and switch letters for switches between mutual funds families and for not completing the required breakpoint disclosure worksheet for all class A share mutual fund purchases. In addition, he was counseled about the appropriate use of different mutual fund share classes. During a compliance review of Bezio's accounts, the Browns' Bond Account was reviewed and flagged based on Bezio's failure to maintain a switch form and a prospectus receipt.
10. As part of LPL's audits in 2005 and 2006, Bezio was required to answer questions pertaining to how he decides which share class is appropriate for a client. Bezio responded in writing that A shares are appropriate for longer term holds and if the time frame is likely to be greater than 5 years. Bezio also responded "yes" to the question, "Do you use the breakpoint disclosure worksheet for all purchases of class A mutual fund shares not purchased at NAV." These answers are inconsistent with the A share activity that was conducted by Bezio in the Brown's account.
11. In April of 2009, LPL questioned Bezio's use of A shares in the Browns' Bond Account. Bezio responded stating, "the client preferred to work on an A share basis as they were more comfortable with paying a transaction charge within the movement of REITs as they were accustomed to it because of their significant real estate transaction with individual properties." Bezio also stated, "Fees were discussed with the client and switch letters were obtained."
12. The Browns stated that Bezio never discussed the sales charges associated with purchasing A shares, the use of C shares, or that they could receive reduced sales charges as a result of meeting certain breakpoints.

13. Bezio earned approximately \$117,000 dollars in commissions in purchasing these mutual funds. In response to the Browns' complaint to LPL concerning the transactions in the Bond Account, LPL did an analysis showing that had the Browns been invested in C shares they would have saved approximately \$51,000 in fees.
14. On April 10, 2009, Bezio's employment with LPL was terminated.

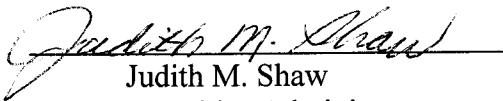
#### VIOLATIONS

15. Bezio violated Maine Office of Securities Rule Chapters 504, NASD Rule 2310, and FINRA Rule 2342 by:
  - a. Switching mutual funds in the Browns' account which was excessive in frequency;
  - b. Failing to disclose the sales charges and fees associated with purchasing Class A share mutual funds;
  - c. Recommending that the Browns purchase mutual funds using Class A shares which were not suitable and appropriate based on the Browns' stated investment objectives;
  - d. Failing to disclose to the Browns that they could receive a sales charge discount on the purchase of shares if they met certain breakpoint requirements;
  - e. Recommending to the Browns that they liquidate certain mutual funds in order to purchase other mutual funds without reasonable grounds to believe the recommendation was suitable and appropriate given the associated transaction and other fees; and
  - f. Effecting transactions in the Browns' account without authority to do so.
16. By violating Maine Office of Securities Rule Chapters 504, Bezio "engaged in unlawful, dishonest, or unethical practices in the securities, commodities, investment, franchise, banking, finance or insurance business." 32 M.R.S.A. §16412(4)(M). Accordingly, the Administrator may take disciplinary action, including revocation of licensure, censure, imposition of a bar order, and imposition of a civil fine of up to \$5,000 per violation against Bezio. 32 M.R.S.A. §16412(2) and (3).

#### NOTICE

Notice is hereby given that the Securities Administrator intends to issue an order revoking Bezio's agent and investment adviser representative licenses; censuring Bezio; barring Bezio from associating with any broker-dealer, investment adviser, or issuer in Maine; and imposing a civil penalty of \$5,000 per violation. If Bezio wants to request a hearing in this matter, he must do so in writing within thirty (30) calendar days of the date of this Notice of Intent. 32 M.R.S.A. § 16412(7).

Date: March 9, 2011

  
Judith M. Shaw  
Securities Administrator